



United States Department of Agriculture
Rural Development
Montana State Office

May 2, 2006

MT AN No. 256 (3550)

TO: All Rural Development Area Offices
USDA, Rural Development, Montana

SUBJECT: Department of Housing and Urban Development (HUD)
Section 8 Housing Choice Voucher Program

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) provides guidance in structuring and utilizing HUD Section 8 vouchers for application to mortgage debt service in conjunction with the USDA Rural Development Section 502 Direct Loan Program.

COMPARISON WITH PREVIOUS AN:

This AN replaces MT AN 231.

BACKGROUND AND PROGRAM EXPLANATION

HUD Section 8 Housing Choice Voucher Program (HCVP) regulations can be found in 24 CFR Part 982. The HCVP is assigned to Public Housing Authorities (PHA) for administration and delivery. In Montana, the Montana Department of Commerce (MDOC) has been assigned to manage and oversee program delivery. They have contracted with the Human Resource Development Councils (HRDC) across the state for delivery. The MDOC has a formal state plan in place and the local HRDCs are in the process of formulating their individual local plans. Each plan will identify how many Section 8 voucher recipients in their service area will be advanced to the HCVP. This

EXPIRATION DATE:
May 2, 2007

FILING INSTRUCTIONS:
HB-1-3550, Appendix 7
State Supplements

P.O. Box 850 • Bozeman, MT 59771
Voice (406) 585-2580 • Fax (406) 585-2565 • TDD (406) 585-2562

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process is ongoing, with some HRDCs having completed their plans and some still in formulation. As the HRDCs finalize their plans, they will be looking for funding sources to participate in the HCVP

The HCVP provides two ways in which a recipient can use the vouchers towards their mortgage debt service.

1. The recipient can directly offset their voucher against their mortgage payment. The vouchers are restricted in use and are not discretionary income to the borrower. Vouchers can be disbursed directly to a lender for direct application against the mortgage payment.
2. The lender can add the voucher to the applicant's gross income and calculate the ratios based on the adjusted income.

The HCVP is calculated by the HRDC/HUD utilizing two methods. The lower method must be utilized.

1. The Payment Standard less the tenant payment. The payment standards are set by the MDOC and can be pulled from their web site at <http://commerce.state.mt.us>. Go to Section 8, Other Documents, then Payment Standards. This method of calculating the voucher amount will be utilized 99% of the time, as the second method is usually higher.

- OR -

2. The family's monthly homeownership expense less the tenant payment. The expenses are the total of principal and interest, taxes and insurance, maintenance expense and allowance for major repairs and replacements, and utility allowance.

The HRDC will calculate the voucher amount, identify the method utilized and present it to you in a loan package.

The following factors are additional requirements for applicants to qualify for the HCVP.

1. The minimum down payment is 3%. At least 1% must come from the family's personal resources. Personal resources can include "gift" money.
2. The family must currently be enrolled in the Section 8 Rental Voucher Program. Parties not currently in receipt of Section 8 Rental Vouchers are not eligible for the HCVP.
3. The family must earn a minimum of \$10,300 per year and make less than 50% of the AMI.

4. The family must be a first time homebuyer.
5. The family must have completed homebuyer education, as required by the PHA.
6. A family member must be continually employed for 30 hours a week or more for the 12 month period prior to application. This requirement does not apply to elderly or disabled families.
7. The PHA or its agent must complete a Home Quality Standards Inspection.
8. A second independent inspection must be made of the property.
9. The family must occupy the home and cannot own a second home.
10. HCVP has a maximum term of 15 years. Disabled and elderly families do not have a maximum term in this program.

IMPLEMENTATION RESPONSIBILITIES:

Once the HRDC has qualified an existing Section 8 Rental Voucher applicant for the HCVP, they will package the loan utilizing the 502 Direct Leveraged Program and submit it to the Area Office for approval.

In qualifying these applicants, the Area Office will add the projected voucher amount to the applicant's gross monthly income. This adjusted income will be used to calculate ratios. The adjusted gross income (inclusive of the voucher amount) is not used to determine eligibility for the program or to determine if the applicant is a low or very-low candidate.

Once the applicant is qualified, processing, closing, and servicing are in accordance with HB-3550. Annual income certifications are done utilizing Federal Tax Returns by the Centralized Servicing Center (CSC).

We encourage all Area Office Staff and Area Directors to contact their local HRDC and inquire into their local plan for delivery of the Section 8 HCVP.

Please contact Deborah Chorlton, Housing Program Director, at 406-585-2551 with any questions.

W.T. (Tim) RYAN
State Director